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nature of an educational grant, by which Berlin and the East was imbued with ideas, without which an industrial community cannot exist. In order to test the efficiency of agricultural colonization in Prussia, the author adduces statistical data, according to which from 1746 to 1804 the number of peasants in the Kurmark (Brandenburg) fell from 34.9 to 24.9 per cent. of the agricultural population, while the quota of day-laborers rose from 27.8 to 28.4 per cent. From these figures we might not draw the most favorable conclusions, but, according to the author, the class of the landless would have grown much more without that policy. And again, although he declines to accept the motion of Count Kanitz concerning the nationalization of the corn trade as being incomplete without a state monopoly of the baking and milling trades—and this would amount to social revolution—he confesses that the best historical model for a rationalized corn trade would be that of Frederic II. For the ways of Frederician policy, as he elsewhere (p. 565) declares, are those, “to the return to which we owe all that greatness we have reached since 1864.”

Thus starting from the political premises of economic evolution, the author draws political conclusions which, in many cases, are open to discussion. But the real value of Schmoller's work lies rather in disclosing the economic and social forces which developed the Prussian system of administration, than in general results. The student of economic history and policy will reap no small advantage from this apparent deficiency. From Schmoller's book he will get the impression that the last sentence is not yet spoken on the subject of state interference in economic policy, and that not only institutions, but generations of men must be penetrated by a sense of an abstract duty for national aims, in order to promote the prosperity of the people by the state.

DR. STEPHAN BAÜER.

BRÜNN.

A General Freight and Passenger Post: A Practical Solution of the Railroad Problem. By JAMES LEWIS COWLES. Third edition, revised and enlarged. New York: G. P. Putnam's Sons, 1898, 8vo, pp. xxi + 312.

A General Freight and Passenger Post is one of the most unique of the many nostrums recently thrust upon the public. The reader is often at a loss to know whether to take the work seriously, for the

contradictions are so palpable, many of the statements so grossly inaccurate, and the reasoning often so specious, that he is forced to believe that a person having the dialectic skill, insight and knowledge of facts possessed by its author must have been aware of the weakness of its logic and the inaccuracy of its data.

The substance of *A General Freight and Passenger Post* can be given in a few words. The main contentions of the book are: (1) that railroad rates should be based solely upon the cost of service, and (2) that the postal principle, which disregards distance in fixing charges, should be extended to freight and passengers. "Railway rates should be determined by the cost and not by the value of the service rendered,"¹ says Mr. Cowles in his fourth fundamental principle, and in many other places.² In his fifth fundamental principle he declares: "The whole business of public transportation should be pooled under the control of the post office, and the rate charged for the shortest distance for any particular service (the cost of service rate) should be adopted as the uniform standard rate for that class of service *for all distances* within the limits of the postal system."³ "This," says Mr. Cowles, in stating the scope of his work, "is simply the 'Penny Post' scheme of Sir Rowland Hill, extended to cover the general business of transportation, and it presents, I believe, a practical solution of the transportation problem."⁴

If it be contended that rates should be determined by the cost of service and at the same time it be asserted that the postal principle should be extended to freight and passengers (or, in other words, that distance should be disregarded in fixing railroad charges) it must follow that distance is not a varying element in the cost of service. It must cost no more to haul a car 5000 miles than to haul it five miles, otherwise there is a conflict of fundamental principles. Mr. Cowles seems to understand this, and sees the necessity of showing that distance is not a factor in the cost of service, for, quoting from Wellington, he says "the effect of distance on operating expenses would be the only one which there would be need to consider."⁵ At this point a demonstration of his novel proposition would naturally follow. In his proof he adopts his favorite method of argument—that of reasoning by authority. "The railways serving New York City have had a uniform rate on milk for the last forty years. In 1887 . . . this

¹ P. vi.² Pp. x, 143, 207, etc.³ P. vi.⁴ P. vi.⁵ P. vii.

grouped rate covered a zone of 220 miles. . . . Eight years later this zone of uniform milk rate covered distances up to 330 miles, and commissioner George R. Blanchard, of the Joint-Traffic Association, testified before the Interstate Commerce Commission in December, 1895, that there was no reason why it should not be extended to one thousand miles.

But Messrs. Rogers, Locke & Milburn, counsel of the Delaware and Lackawanna and Western Railroad, go even further than Mr. Blanchard [says Mr. Cowles] for they say: "The distance (within which this rate should be uniform) need only be limited by the length of time required to make it with the train and meet the wants of the New York market, with milk not affected by its transportation."

In other words, if milk can be brought from San Francisco to New York in good condition, then the milk rate should be the same for all distances between San Francisco and New York, and for this reason, "*because of the fact that the expense incident to the mere length of haul is so small in comparison with the other necessary charges when taken in connection with the special service.*"¹

Later on he says: "The grand principle on which the postal systems of the world are based are as follows: *First*. When once a postal system is established, the machinery must run, and it makes no practical difference in the cost of the business, whether a letter or a newspaper, or a parcel is carried one mile or a thousand. Once the mail has started on its trip, it is impossible to figure the difference in cost whether a piece of postal matter is left at the first office at which the mail stops, or goes to the farthest office in the system. At every office a part of the mail will be left and new matter taken on; one piece in a hundred perhaps will go the whole route and there will always be room for it. . . . Distance, in short, costs practically nothing in the business of the post office and therefore postal rates should be the same for all distances."² After stating the other two fundamental principles he declares: "The experience of more than half a century has triumphantly demonstrated the truth of these propositions as applied to postal freight, *and what is true of the postal business is equally true of ordinary railway traffic.*"³

The grand principle quoted is a very curious piece of reasoning. Mr. Cowles states that "when once a postal system is established, the machinery must run, and it makes no practical difference in the cost of

¹ Pp. viii and ix.

² P. 21.

³ P. 24. The italics are mine.

the business, whether a letter . . . is carried one mile or a thousand." At this point several pertinent questions may be asked. Does it not cost more to establish a postal system (including the railroads) over a vast extent of territory than over a contracted one, the topography being the same? To assume the system as already established begs the question. And does it not cost more to operate the machinery (including the railroads) over the larger territory? To say that the machinery must run, once established, does not make it possible to run railroad trains 1000 miles as cheaply as they can be run 100 miles. If a train were going to run anyway, a letter probably could be carried a thousand miles as cheaply as one, but that is not the point at issue, which is: can a train be run a thousand miles as cheaply as one? Mr. Cowles also says: "At every office a part of the mail will be left and new matter taken on; one piece in a hundred perhaps will go the whole route and there will always be room for it." There must be a fallacy lurking in this statement, for we all know that a point was reached when the camel's back could not sustain another straw. If this reasoning be sound it is difficult to understand why as the mail on a route increases in volume, pouches that once sufficed must give way to an apartment, an apartment to a whole car, and a car in turn to a train. Perhaps all Mr. Cowles wished to state was that sufficient space would be provided, which is, however, a very different thing from stating that any given space will suffice for any quantity of mail. As business increases there must come a time when an apartment will not afford sufficient space to accommodate the mail and a whole car must be devoted to mail, and with a further increase of matter another car must be added to the train.

Distance is disregarded in fixing postal charges not because it is a constant element in the cost of service but largely, if not entirely, for the sake of convenience, because it is impossible to determine the cost of service, and for the reason that the sums involved are so small that they do not permit further division. It has often been contended in the case of second, third, and fourth class matter, where parcels often attain considerable weight that rates should vary with distance.

On page 73 Cowles declares that "Not one single item of railway expenditure, large or small, not even fuel or wear and tear of wheels, varies in direct ratio to distance, or in anything like direct ratio, and more than one half of them are not a whit affected thereby," and on page 74 he states that "Even the cost of the road itself is not

proportioned to distance." All these contentions may be freely granted, although they are not true, and yet it does not follow that distance is not an important factor in the cost of service.

The inconsistency of the author is brought out in strong relief by the schedule of passenger rates. It will be remembered that he contends that railway charges should be based upon the cost of service. Let us see how consistently he applies his principle. If he had his way the passenger post would include a local, express, and fast post.

"The Local Post includes railway trains stopping at all stations, and trains stopping within average distances of fifteen miles.

"The Express Post includes trains scheduled to stop within average distances of fifteen to forty miles, and to run at a speed of not less than thirty miles an hour.

"The Fast Post includes trains stopping for passengers within average distances of not less than forty miles, and scheduled to run at a speed of not less than forty miles an hour."

Railway passenger cars are classified as ordinary and as palace cars, and the fares are as follows:¹

By Local Post, ordinary cars, \$0.05 per trip.					
"	"	"	palace	"	.25 "
"	Express Post, ordinary cars,				.25 "
"	"	"	palace	"	1.00 "
"	Fast	"	ordinary	"	1.00 "
"	"	"	palace	"	5.00 "

From this schedule it appears that the charge for any trip by the Fast Post in a palace car would be just one hundred times as much as for any trip by Local Post in an ordinary car, and if a sleeper were used the former charge would be one hundred twenty times the latter. It is difficult to understand these startling variations on the principles laid down and explained by the author. In general, persons using the Fast Post and palace cars would make longer journeys than those using the Local Post and ordinary cars, but Mr. Cowles laid it down as one of his fundamental principles that distance not only may, but should be, ignored as an element of the cost of service. The speed of the Fast Post would probably be double that of the Local Post, but Mr. Cowles is also precluded from introducing greater speed as an added element of cost, for he says, "high speed, up to the capacity of a locomotive for hauling its load, is far more profitable than low speed,

¹ Pp. 195, 196.

for the higher the speed of the train, the greater the possible use of the whole equipment.”¹ He goes even further than this. On the basis of his own reasoning the train making frequent stops is the more expensive to operate, and fares on this train should be the higher if fixed on the basis of the cost of service, for he says: “The mere stopping and starting of a train running thirty miles an hour wastes power enough to haul it two miles, and the cost of the stop of an average train is estimated at about forty cents.”² On the basis of cost the passenger riding in a palace car should undoubtedly pay much more than the person traveling in an ordinary car for the former’s surroundings are much more comfortable and luxurious, and the passenger in the palace car probably occupies two or three times as much space as the passenger in the ordinary car. But after liberal allowance has been made for all the differences in service which Mr. Cowles considers real it is impossible to understand how the cost can be one hundred times greater in one case than in the other.

One point yet remains to be considered, namely the reliability of the data introduced by Mr. Cowles. In attempting to show that the railways receive excessive pay for carrying the mail he says Postmaster-General Wanamaker found that “nearly 60 per cent. of our mail bags travel within zones of 350 miles.”³ Mr. Wanamaker made no test that I have been able to discover to find the average distance mail bags travel. He did, however, attempt to ascertain the average distance each piece of mail matter is carried. From the results he gives it may be stated that approximately 60 per cent. of the pieces travel within zones of 500⁴ miles — not 350 miles as given by Mr. Cowles. He also states that “the railroad tax for the haul of United States mail bags, for average trips of less than 450 miles is eight cents a pound.”⁵ No one knows the number of pounds of mail transported by the railroads or the average distance each pound is carried.⁶

¹ P. 82; see also pp. 83 and 88.

² P. 74.

³ P. 240.

⁴ *Report of the Postmaster-General*, 1889, pp. 91–93. This test was unsatisfactory for reasons explained on pages 156 and 157 of vol. vii, of the JOURNAL OF POLITICAL ECONOMY.

⁵ P. 180.

⁶ For a detailed discussion of the points raised here see “The Charge for Railway Mail Carriage,” JOURNAL OF POLITICAL ECONOMY, vol. vii. p. 145 *et seq.*

Mr. Cowles also states that "The deficits in the business of the post office in recent years are easily accounted for by the burdensome taxes levied by our railway kings. These taxes remain, in most cases, at the same rate today as in 1878."¹ If this statement read — These taxes remain, in a few cases, at the same rate today as in 1878, it would very much more nearly conform to the facts. The rate of pay fixed by law decreases very rapidly with an increase of weight as will be seen by the subjoined table :

RATES PAID FOR TRANSPORTATION OF MAIL ON BASIS OF WEIGHT.²

Average daily weight of mail over whole route								Rate per ton per mile
200 pounds	-	-	-	-	-	-	-	\$1.17
500	"	-	-	-	-	-	-	.70
1,000	"	-	-	-	-	-	-	.468
2,000	"	-	-	-	-	-	-	.351
4,000	"	-	-	-	-	-	-	.214
5,000	"	-	-	-	-	-	-	.187
20,000	"	-	-	-	-	-	-	.090
50,000	"	-	-	-	-	-	-	.070
100,000	"	-	-	-	-	-	-	.064
200,000	"	-	-	-	-	-	-	.061
300,000	"	-	-	-	-	-	-	.060
Each 2000 pounds in excess of 5000 pounds								.058

Consequently only on those postal routes where there has been no increase of weight can it be said that there has been no decline in the rate of pay. As the population of most parts of our country has increased rapidly since 1878, and this increase has been accompanied by a largely increased weight of mail, it is perfectly safe to say that, in general, there has been a large decline in the rate of pay because of the sliding scale of pay fixed by law, although the law itself has not been altered since 1878. But one more statement will be introduced to show the inaccuracies that abound in this work. "The post office of today," declares Mr. Cowles, "pays 50 per cent. more for the transportation of a ton of mail bags from New York to Buffalo by railway, than it used to cost to send ordinary freight the same distance by boat and by wagon, in the days before the opening of the Erie canal. . . . the railways tax the government 8 cents a pound, \$8 a hundred, \$160 a

¹ P. 17.² *Senate Report No. 991*, p. 124, LV Congress, second session.

ton for the transportation of its mail bags for an average haul not over 442 miles."¹ And later Mr. Cowles says: "Taking, then, 442 miles, about the distance from New York to Buffalo, as the average haul of a mail bag . . . we find that the railroads tax the government \$160 a ton for a haul that, in the days before the building of the Erie canal, cost private individuals, by ox team and sailing vessel, but \$100 . . ."² The great bulk of the mail carried between New York and Buffalo is hauled by the New York Central and Hudson River Railroad. The compensation received by this company per ton for transporting the mail over this route since June 30, 1897, the date of the last readjustment, has been somewhat less than one fifth of the sum stated by Mr. Cowles, or \$31.67.³ It is difficult to excuse this error, for the facts can be readily obtained from the reports of the postmasters-general.

These are only a few of the gross inaccuracies that abound in the book, but they will probably suffice to show that the facts given can never be accepted without verification. This is rendered difficult because the author very rarely cites his sources except in a very general way.

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CHICAGO.

Münchener Volkswirtschaftliche Studien. Stuttgart: J. G. Cotta'sche Buchhandlung, 1898.

No. 26. *Die Kornhäuser. Eine Studie über die Organisation des Getreideverkaufes in Amerika, Indien, und Russland, sowie in einigen deutschen Staaten.* By OTTO BÖHM. 8vo. pp. 96.

No. 27. *Zur Genesis der heutigen agrarischen Ideen in Preussen.* By ALEXANDER LEWY. 8vo. pp. 141

No. 29. *Die Lage der deutschen Mühlenindustrie unter dem Einfluss der Handelspolitik, 1879-1897.* By LUDWIG HOLLÄNDER. 8vo. pp. 98.

DR. BÖHM's monograph is a comparative study of the methods of grain handling in the United States, Argentina, India, Russia, and Germany. The system in the United States, as a model for all the others, commands a large share of attention. Our virgin soil, low

¹ P. 7.

² P. 241.

³ *Report of the Postmaster-General*, 1897, p. 407. This sum includes pay for the railway post offices as well as that made on the basis of weight carried.